

BEFORE THE TENNESSEE REGULATORY AUTHORITY

AT NASHVILLE, TENNESSEE

December 4, 2002

IN RE:

**PETITION FOR AUTHORITY TO TRANSFER
OWNERSHIP OR CONTROL OF STARTEC
GLOBAL COMMUNICATIONS CORPORATION
TO ALLIED CAPITAL CORPORATION**

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**DOCKET NO.
02-01156**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Sara Kyle, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on November 4, 2002 for consideration of the *Petition for Authority to Transfer Control* (the "*Petition*") filed by Startec Global Communications Corporation ("Startec"), Startec Global Operating Company ("Startec Operating"), Startec Global Licensing Company ("Startec Licensing"), and Allied Capital Corporation ("Allied") (collectively, the "Petitioners"). The *Petition* was considered pursuant to the provisions of Tenn. Code Ann. § 65-4-113, which requires Authority approval of a transfer of authority to provide utility services.

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Petition

In the *Petition*, which was filed on October 14, 2002, the Petitioners request Authority approval of a transfer of control of Startec from its current shareholders to Allied. According to the *Petition*, Startec is a Delaware corporation with its principal address in Potomac, Maryland. Through its wholly owned subsidiaries, Startec Operating and Startec Licensing, Startec provides domestic and international long distance services. Startec Licensing was granted authority to provide resold long distance services in Tennessee by Order dated May 29, 1996 in Tennessee Public Service Commission Docket No. 96-03432. On December 14, 2001, Startec, Startec Operating, and Startec Licensing filed for bankruptcy under Chapter 11 of Title 11 of the U.S. Code in the U.S. Bankruptcy Court of the District of Maryland. Allied is a publicly owned Maryland corporation headquartered in Washington, D.C. that provides investment capital to private and undervalued public companies.

The *Petition* states that under the terms of a Debtors' Joint Plan of Reorganization filed with the Bankruptcy Court on June 14, 2002, Startec, Startec Operating, and Startec Licensing will be reorganized and reincorporated as new Delaware corporations, and the reorganized Startec Operating and Startec Licensing will continue to be wholly owned subsidiaries of Startec.

The *Petition* states that Allied is financially qualified to acquire control of Startec, Startec Operating, and Startec Licensing. Following the transaction Startec, Startec Operating, and Startec Licensing will continue to operate as they have in the past and will retain all key personnel, including certain senior management personnel. According to the *Petition*, the transfer of ownership of Startec and its subsidiaries Startec Operating and Startec Licensing will be transparent to and have no adverse impact upon these companies' customers.

Public Interest Considerations

According to the *Petition*, the proposed transaction is in the public interest because it will provide Startec, Startec Operating, and Startec Licensing with the best opportunity to continue providing domestic services to customers in Tennessee. In addition, Startec will have access to the financial resources it needs to introduce new products and services and to respond to competition in the competitive telecommunications environment in Tennessee.

Findings

The Authority considered this matter at the November 4, 2002 Authority Conference. Based upon careful consideration of the *Petition* and of the entire record of this matter, the Authority finds and concludes as follows:

1. The Authority has jurisdiction over the subject matter of this *Petition* pursuant to Tenn. Code Ann. § 65-4-113;

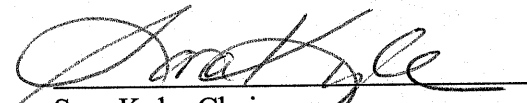
2. Startec Global Licensing Company has been granted authority to provide telecommunications services in Tennessee;

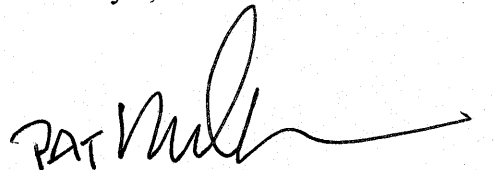
3. Ownership of Startec Global Licensing Company's parent company, Startec Global Communications Corporation, will be transferred to Allied Capital Corporation, resulting in a transfer of the authority to provide utility services that has been granted Startec Global Licensing Company; and


4. The transfer of authority will benefit the consuming public.

IT IS THEREFORE ORDERED THAT:

The *Petition* of Startec Global Communications Corporation, Startec Global Operating Company, Startec Global Licensing Company, and Allied Capital Corporation for approval of the transfer of authority described herein is approved.


Sara Kyle, Chairman


Pat Miller, Director


Ron Jones, Director